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## THE SAFE DRINKING WATER ACT: A CASE STUDY OF AN UNFUNDED FEDERAL MANDATE

State and local officials have voiced strong opposition in recent years to the growing number of federal requirements. At the local level, environmental requirements are perceived to be particularly onerous, and the Safe Drinking Water Act (SDWA) is often cited as one of the more burdensome requirements. According to a new study by the Congressional Budget Office (CBO), *The Safe Drinking Water Act: A Case Study of an Unfunded Federal Mandate*, the SDWA has resulted in fairly modest costs for most households. Cost estimates from the Environmental Protection Agency (EPA) and available survey data on costs at the local level indicate that most households—approximately 80 percent—are expected to incur costs of less than \$20 per year to treat their drinking water according to the standards specified by the SDWA's existing rules. Moreover, comparing EPA data with available local estimates does not provide evidence that EPA has significantly underestimated local compliance costs.

Average household costs are modest for most communities, but some could face very high household costs—in excess of \$100 per year—under existing drinking water standards. Households served by small water systems are particularly likely to face high costs. Furthermore, compliance costs could increase significantly over time. In fact, four rules that are currently proposed under the SDWA could more than triple compliance costs.

In addition to considering cost, CBO examined available data on benefits from drinking water regulations. That examination revealed that benefit-to-cost ratios vary widely by categories for contaminants and system sizes. For example, the cost per expected cancer case avoided—that is, the cost to prevent a single case of cancer—ranges from \$500,000 for regulating the pesticide ethylene dibromide and its co-contaminants to more than \$4 billion for regulating the pesticides atrazine and alachlor. Conclusions about the merits of drinking water standards are limited by a great deal of uncertainty underlying estimates of both costs and benefits. However, in some cases the cost per expected cancer case avoided would need to be decreased by a factor of 10 or more to fall within the range that is generally considered reasonable.

One benefit of federal drinking water standards is the assurance that all water systems meet minimum health standards. A potential disadvantage of federal requirements, however, is that uniform requirements may cause some localities to take actions that do not make sense for their specific community—such as testing for chemicals that are not used in their area or undertaking treatment measures for which the costs far outweigh the benefits. An important question, therefore, is whether the SDWA provides sufficient flexibility to adjust requirements in those cases.

The SDWA provides EPA and the states with several tools that are designed to allow them to provide flexibility to water systems. Those measures of flexibility, however, have not been widely used. Furthermore, numerous barriers prevent more widespread use of those measures. Such barriers include constraints on resources, concerns about public perception, and the effect that those measures might have on protecting public health.

The Unfunded Mandates Reform Act of 1995 requires CBO to estimate the costs that proposed legislation will impose on state and local governments as well as the private sector. The SDWA case study highlights some of the challenges involved in fulfilling that responsibility. Those challenges include estimating the additional, or incremental, costs that a mandate imposes above and beyond the expenditures that state and local governments would have made in its absence, lack of detail on the specific requirements that will be imposed as a result of the legislation, lack of data on costs at the legislative stage, and limited time available to conduct the necessary analyses. As a result of those complicating factors, cost estimates constructed at the legislative stage will be much less precise than examinations conducted after the law or regulation has taken effect.

Questions about the study should be directed to Terry Dinan of CBO's Natural Resources and Commerce Division at (202) 226-2940. The Office of Intergovernmental Relations is CBO's Congressional liaison office and can be reached at 226-2600. For additional copies of the study, call the CBO Publications Office at 226-2809.



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